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UNCLAS SECTION 01 OF 13 TOKYO 000333

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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 02/08/08

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There will be no Morning Highlights on Monday, February 11 - a Japanese holiday.

1) TOP HEADLINES

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Asahi, Yomiuri, Sankei & Tokyo Shimbun:

Former stable master Tokitsukaze arrested over fatal beating of sumo wrestler

Mainichi:

Insecticide detected inside sealed package of China-made gyoza dumplings, suggesting tampering during manufacturing process

Nikkei:

Major Japanese steelmakers to help China, India to save energy in steel production

Akahata:

Health, Labor and Welfare Ministry orders people with hypertension excluded from health checkup system

2) EDITORIALS

Asahi:

(1) Sumo stable master arrested: Sumo Association in desperate straits

(2) Gasoline tax: Search for ways to break the impasse through debate

Mainichi:

(1) Fatal assault of sumo wrestler: Aim to establish system to investigate death

(2) Book report: Power of books to support academic ability

Yomiuri:

(1) Debate on budget: DPJ needs to present road tax alternatives

(2) Arrest of former stable master: Urgent need to restore public confidence

Nikkei:

(1) Concern about mergers of major mining firms

(2) Arrest of stable master a stain on sumo history

Sankei:

(1) Gyoza poisoning: Speed up through investigation on the incident

(2) Budgetary deliberations: What happens with consultations on

revising the government-sponsored bill?

Tokyo Shimbun:

- (1) Road debate: Government's explanations hardly convincing
- (2) Arrest of Tokitsukaze: Punishment led to fatal assault of young sumo wrestler

Akahata:

- (1) Exchange of notes on new antiterrorism law cannot prevent Japanese oil from being diverted

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3) Prime Minister's Official Residence (Kantei)

NIKKEI (Page 2) (Full)
February 8, 2008

0805

Met with Deputy Chief Cabinet Secretary Ono at the Kantei.

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09:00

Lower House Budget Committee meeting.

12:15

National convention to demand return of the Northern Territories at the Kudan Kaikan Hall.

13:00

Lower House Budget Committee meeting.

17:21

Met with Luxembourg Prime Minister Juncker

18:07

Met with LDP Election Committee Chairman Makoto Koga and Vice Chairman Suga. Chief Cabinet Secretary Machimura was present. Then met with Secretary General Ibuki, followed by New Komeito Deputy President Higashi.

19:21

Arrived at the official residence.

4) BBC-Yomiuri poll: 83% in Japan unhappy with economic disparity

YOMIURI (Page 2) (Full)
February 8, 2008

The Yomiuri Shimbun for the first time conducted a joint public opinion survey with British Broadcasting Corporation (BBC). In Japan, those dissatisfied with economic disparity accounted for 83%. This figure was the second highest next to 84% in Italy among the Group of Eight (G-8) summit members. The survey was conducted in 34 countries, among which the figure in Japan was the fourth highest. The survey shows that the Japanese public is growing increasingly frustrated.

About economic disparity, respondents were asked if they thought people in their countries were fairly well off. In Japan, 33% answered "not well off at all," and a total of 83%, including "not very well off," were dissatisfied. "Fully well off" accounted for only 1%. Affirmative answers, including "somewhat well off," added up to 12%. The average of those dissatisfied among the 34 countries was 64%. Japan's figure markedly outstripped the average.

The highest figure of dissatisfaction was 86% in South Korea, followed by 84% each in Italy and Portugal and by Japan's figure. Among the major nations, France was at 78%, Britain at 56%, and the United States at 52%.

The BBC-Yomiuri poll was conducted from October last year through January this year. Answers were obtained from a total of 34,528 persons in the 34 countries.

Economic disparity awareness
(G-8 summit member nations only. Figures shown in percentage.)
Italy 84
Japan 83
France 78
Russia 77
Germany 71
U.K. 56
U.S. 52

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Canada 39

DEFENSE ISSUES

5) Machimura hints at revising Futenma plan

YOMIURI (Page 4) (Full)
February 8, 2008

The government yesterday held a sixth consultative meeting at the prime minister's office with officials from Okinawa Prefecture and its four municipalities to discuss the issue of relocating the U.S. Marine Corps' Futenma Air Station in the island prefecture's central city of Ginowan. The government plans to lay down a V-shaped pair of airstrips in a coastal area of Camp Schwab in the prefecture's northern coastal city of Nago as an alternative for Futenma airfield. "There is a proposal to move the construction site out toward the sea," Machimura said in the meeting. "Bearing this in mind," he added, "we will make our utmost efforts so we can reach a settlement as early as possible." With this, the top government spokesman referred for the first time to the possibility of revising the government plan.

Meanwhile, Okinawa Gov. Hirokazu Nakaima appreciated the government for its representation of a procedural plan to assess the newly planned facility's potential impact on its environs. "We also think the relocation is a matter of the highest importance," Nakaima said. "We're now giving our first consideration to the environmental impact assessment," he added. With this, the governor expressed his de facto approval of the assessment. In response, the Defense Ministry is expected to set about with the assessment within the month.

6) Government shows flexibility on Futenma relocation; Coordination underway for resuming realignment subsidies to municipalities

NIKKEI (Page 2) (Abridged slightly)
February 8, 2008

The government, Okinawa and affected municipalities held a consultative meeting on the planned relocation of U.S. Futenma Air Station at the Prime Minister's Office (Kantei) yesterday. The affected municipalities have been critical of the planned environmental impact assessment, saying that the explanation on it was insufficient. Governor Hirokazu Nakaima, however, announced that he would address what is necessary for the relocation as a top priority, in reaction to the Ministry of Defense's (MOD) presentation of additional documentation. The members reached a broad agreement to start the assessment within this month.

Chief Cabinet Secretary Nobutaka Machimura said in the session: "We would like to exchange views closely and make efforts to reach a good conclusion." Defense Minister Shigeru Ishiba also expressed eagerness to do more regarding the assessment procedures, as necessary. The government has started arrangements to unfreeze subsidies to Nago and other municipalities.

The environment assessment aims at grasping the current state of coral and the marine habitat around the relocation sight of Camp Schwab in Nago as a condition for starting construction work. Behind Okinawa's compromise also lies the Kantei's dialogue-oriented stance.

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Following the arrest last November of former Vice-Defense Minister Takemasa Moriya, the government has removed MOD officials close to Moriya, who had pressed for an early relocation, from the Futenma relocation issue. The government has also underlined a shift in policy, unfreezing the 9.5 billion-yen economic package to the northern area of the prefecture.

But in order to finish constructing the replacement facility by 2014 in accordance with the Japan-U.S. agreement, the government needs to begin reclamation work at Camp Schwab as early as 2010. Some in the government are concerned that if the assessment procedures are delayed further, the overall realignment plan might be affected.

7)Okinawa governor agrees to starting environmental assessment for Futenma relocation

MAINICHI (Page 2) (Abridged slightly)
February 8, 2008

The consultative council on the relocation of the U.S. Marine Corps' Futenma Air Station that includes the government and affected municipalities met at the Prime Minister's Office (Kantei) yesterday. In the session, Okinawa Governor Hirokazu Nakaima praised the Defense Ministry's presentation of additional documentation on the method of the planned environmental impact assessment in compliance with a request from the prefecture. He explicitly said, "I will address the matter as a top priority." As a result, the government is likely to start the assessment this month, as planned.

Nakaima also renewed his call for moving the location of a Futenma replacement facility specified in the government plan further offshore. The focus will now shift to whether or not the governor will approve the government's request for reclamation work around Camp Schwab, expected to start in the summer of 2009.

In response to Nakaima's call for moving the new facility further offshore, Chief Cabinet Secretary Nobutaka Machimura said: "While keeping your request in mind in the process of advancing the assessment procedures, we would like to make maximum efforts in order to resolve the matter at the earliest possible time."

Ahead of the assessment, the Defense Ministry started last May a preliminary survey to look into the current state of the waters around Camp Schwab. The ministry presented an assessment plan to Okinawa in August, but the prefectural government refused to accept it. Okinawa eventually accepted the plan after the consultative council resumed its meeting in November under the Fukuda administration. Okinawa also asked the government to rewrite it, saying that its contents were insufficient.

Okinawa is scheduled to make a final decision after screening by the prefectural environmental impact assessment council. The council is slated to meet today. Depending on how the deliberations turn out, the start of the assessment might slip to March or beyond.

8) Defense Ministry reform put off to June

YOMIURI (Page 4) (Full)
February 8, 2008

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A government panel, which has been discussing a drastic reform of the Defense Ministry, is falling behind in working out a report of recommendations. The panel, chaired by Nobuya Minami, an advisor to Tokyo Electric Power Co., had initially planned to come up with a report in February. The panel report is now expected to be out around June.

The panel was launched in November last year in the wake of former Administrative Vice Defense Minister Takemasa Moriya's bribery case and other scandals involving the Defense Ministry. The panel was expected to show a course of action for the Defense Ministry's

reform in February.

The panel, however, has so far met only four times. The panel's discussion has therefore yet to deepen. Moreover, Defense Minister Ishiba, in a Feb. 1 meeting of the panel, advocated integrating the Defense Ministry's bureaucracy and the Self-Defense Forces' respective staff offices. "We need to clear up what we've discussed," a government source said. "That's all we can do in February," the source added.

9) LDP sets up panel on permanent legislation for SDF activities overseas

YOMIURI (Page 4) (Full)
February 8, 2008

The ruling Liberal Democratic Party launched an intraparty panel yesterday to discuss permanent legislation for Japan to send the Self-Defense Forces on overseas peacekeeping missions. The panel will hold its first meeting on Feb. 13, with former LDP Vice President Taku Yamasaki presiding.

10) Government concerned about Hill's statement rejecting linking abduction issue to delisting North Korea

TOKYO SHIMBUN (Page 2) (Abridged)
February 8, 2008

U.S. chief delegate to the six-party talks Assistant Secretary of State Christopher Hill said that the issue of Japanese nationals abducted by North Korea must not be linked to the question of delisting North Korea as a state sponsor of terrorism. The government is taking his statement calmly, at least outwardly, with a senior Foreign Ministry official saying, "He did not say anything new." But given the fact that Hill made that statement in his testimony before Congress, the government is in fact is worried that it might lose leverage for resolving the issue.

During the Japan-U.S. summit last November, President George W. Bush stressed that the United States "will never forget the abduction issue." Hill, too, indicated in his testimony that the United States would give to Japan as much consideration as possible.

The six-party talks have stalled, with the North failing to present a complete list of its nuclear programs. This year, U.S. State Department Office of Korean Affairs Director Sung Kim has visited North Korea, and Wang Jiarui, head of the Chinese Communist Party's International Department, also held talks with North Korean leader Kim Jong Il. But the Japanese government thinks that nothing noteworthy has come from it.

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For this reason, the view is dominant that Hill's statement was designed to send a message to North Korea with the aim of breaking the impasse in the situation.

Should the United States delist the North, that would deal a serious blow to Japan.

The Japan-DPRK working group on diplomatic normalization to discuss the abduction issue has not met since last September.

The delisting of North Korea would leave Japan with "carrots" only, such as lifting sanctions on North Korea and resuming energy and food aid to that country. Unless Japan reviews its pressure policy, it will have no cards to play. Tokyo therefore has no option but to keep urging Pyongyang to take action sincerely.

FUKUDA DIPLOMACY

11) Prime Minister Fukuda declares his resolve to make breakthrough on Northern Territories issue but his feelings were not in it

SANKEI (Page 2) (Full)
February 8, 2008

Keiichi Takagi

Prime Minister Yasuo Fukuda yesterday attended the National Convention for Calling for Return of Northern Territories held at the Kudan Kaikan Hall in Tokyo's Chiyoda Ward and declared his firm resolve to address the territorial issue in talks with Russia. Fukuda also emphasized the need for the government and the public to work together to settle the issue. A major diplomatic agenda in relations with Russia is how to restart the territorial negotiations, which have been on hold for the past six years during the Koizumi and Abe administrations, and to put them back on a negotiation track. In this sense, Fukuda indicated his intention to make a breakthrough on the Northern Territories issue, but his two-minute speech, given in a way of his simply reading from a script, was not sufficient for us to feel his "resolve."

Coordination is underway in the government for Fukuda to visit to Russia during the Golden Week holidays in May and meet with President Putin just before he steps down. One Foreign Ministry official welcomed the invitation and noted, "It is an expression of the president's enthusiasm to resolve the outstanding territorial issue." But there is a pitfall in his soft approach.

The Putin administration's fundamental strategy toward Japan remains unchanged: while posing as being willing to engage in the territorial talks, Moscow's ultimate desire is to seal the territorial issue permanently. One former cabinet minister of the ruling Liberal Democratic Party (LDP) made this sharp comment: "The Japanese Foreign Ministry overrates Russia's honey-coated words and is trying to cover its failure to act on the diplomatic front."

In the Russian presidential election in March, first Deputy Prime Minister Medvedev, named by Putin as his preferred successor, will be certain to win the election. But many observers forecast that Putin will pull the strings behind the scenes, even after stepping down as president.

At the national convention, Fukuda indicated he will hold talks with

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Russia's next president on the sidelines of the Group of Eight Summit in Lake Toya, Hokkaido in July and discuss the territorial issue. Although the Russian president will set foot for the first time on Hokkaido, to which the disputed four Northern Islands belong, Fukuda was silent on whether he as the host nation of the G8 Toyako Summit would take up the territorial issue during the plenary session.

According to a source familiar with Japan-Russia relations, there is a strong observation that Putin's outward soft attitude toward Japan is no more than a trick to prevent Japan from bringing up the territorial issue at the G8 Toyako Summit. But Fukuda appears to be throwing away a good opportunity to work with other countries to put pressure on Russia on the territorial issue.

In fact, Fukuda said in his book "Ikkoku wa Hitori o Motte Okori Hitori o Motte Horobu" (One country can rise with one person's efforts but one country can fall with one person's failure), which he coauthored and published in May 2005, that: "The only way to resolve the territorial issue (with Russia) is for both countries to discuss it. Other countries will never be involved in the issue nor can cooperation from other countries be expected."

Apparently Russia has taken advantage of the Fukuda administration's "inability" to manage the divided Diet, where the ruling bloc controls the Lower House but the Upper House is under the opposition bloc's control.

An aide to Fukuda spoke about Fukuda's dilemma, noting, "The current unstable political situation in Japan may give Russia a way out." But Fukuda's impassive attitude toward the territorial issue may give Russia the wrong message that Japan has no leeway to deal with the territorial issue. Fukuda can never be allowed to retreat to the situation that existed in the Koizumi and Abe administrations when it comes to diplomacy toward Russia.

12) With technical cooperation in mind, Putin trying to woo Japan by inviting Prime Minister Fukuda to discuss territorial issue

NIKKEI (Page 2) (Full)
February 8, 2008

Russian President Putin has begun to woo Japan by inviting Prime Minister Yasuo Fukuda to visit Russia before his tenure of office as president expires on May 7. Putin's ulterior motive is apparently to get technical cooperation from Japan in such areas as resource exploitation in East Siberia, a priority issue for Russia. But it is unclear whether tangible progress can be expected when it comes to the Northern Territories.

Russia's unusually active approach to Japan

"The President says he would like to meet directly with Prime Minister Fukuda to discuss such issues as the Northern Territories, Russian Vice Foreign Minister Losyukov told Deputy Foreign Minister Kenichiro Sasae during his visit to Japan early this month. A similar desire was revealed in Putin's written reply to Fukuda's personal letter handed by former Prime Minister Yoshiro Mori when he visited Russia late last year.

According to a diplomatic source familiar with Japan-Russia relations, it is unusual for the Russian president to make a

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positive approach like this to the Japanese prime minister for a top-level dialogue. This is in stark contrast to the Koizumi and Abe administrations, when Russia was notably least interested in holding territorial negotiations with Japan. One Foreign Ministry official gave this analysis: "Mr. Putin has begun to seriously consider somehow moving forward the now sluggish relationship with Japan before he steps down as president."

Russia's changing attitude entails a number of ulterior motives. One aim would be to obtain cooperation from Japan in the development of East Siberia. Russia is flourishing thanks to the high price of oil, but observers analyze that because of the delay in developing new oil and gas fields, the country would probably not be able to meet demand in the near future for oil or gas exports let alone their domestic consumption. Reportedly, Putin's real intention is to elicit financial and technical assistance from Japan in order to accelerate the speed of the development of East Siberia, which has been left almost untouched.

Tokyo is well aware of Moscow's intention. Still, the Japanese government is mulling a plan for Fukuda to visit Russia at an early date. The reason is because Tokyo anticipates that Putin, even after stepping down as president, will retain latent powers. In the Russian presidential election slated for March, First Deputy Prime Minister Medvedev, named by Putin as his preferred successor, is certain to be elected. Given this, it is indispensable for Japan to maintain communications with Putin for the sake of territorial talks.

What will happen to territorial talks remains uncertain

The reality is, however, that although Putin "is concerned about the territorial issue, he is showing no signs of coming to terms with Japan in actuality," a senior Foreign Ministry official said. Vice Foreign Minister Losyukov told the ITAR-TASS news agency yesterday: "Both sides want to resolve the issue, but both lack understanding about the situation."

Russia has been opposed to the United States' planned deployment of missile defense facilities in East Europe and its diplomatic offensive toward former Soviet Union member states. Moreover, there seems to be another ulterior motive of giving a warning to the U.S. by strengthening relations with Japan - an apparent attempt to drive a wedge in the Japan-U.S. alliance.

"We must hold talks sooner or later," Fukuda said late yesterday and revealed his resolve to break the impasse in the territorial talks,

but it is never easy to engage in horse-trading with Putin.

DIET SCRAMBLE

13) DPJ to submit budget bills to Diet, as road strategy did not turn out as DPJ planned

MAINICHI (Page 5) (Full)
February 8, 2008

The Democratic Party of Japan (DPJ or Minshuto) decided yesterday to submit to the current Diet session four budget-related bills. The bills are based on the DPJ's manifesto for the next House of Representatives election, with the party attempting to demonstrate what kind of budget it will compile if it assumes the reigns of

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government. However, as a result of the fierce battle over a stopgap bill on revenues for road construction, the largest opposition party's strategy of pressing Prime Minister Yasuo Fukuda to dissolve the Lower House as soon as late March ended in failure. The DPJ was, therefore, forced to shift its strategy to a long-term frontal attack by steadily advocating its manifesto in Diet debate.

Deputy President Naoto Kan explained the four counterproposals in a press conference yesterday: "The bills are to substantiate the whole picture of the (budget) that the DPJ has called for."

The DPJ has focused on the gasoline tax in the current Diet session and had looked to abolish the provisional tax rate, which expires at the end of March, in order to force the government and ruling parties to cut gasoline prices.

After reaching an agreement with the ruling coalition on the stopgap bill, DPJ President Ichiro Ozawa suggested that the Lower House would be dissolved in the fall or later. The DPJ was forced to substantially review its strategy. The DPJ included pledges similar to the four bills in its manifesto for last summer's House of Councillors election. It believes that unless it runs the government, the plans will not be brought to fruition. Submitting the bills to the Diet is preparatory work for the DPJ to draft a manifesto for the next Lower House election.

A drastic change in the budgetary system is necessary for reform of the pension systems and agricultural policy. A bill to reform the tax structure for road projects, including ending the burden on local governments, would never be accepted by the government and ruling camp.

Therefore, chances are slim that the four bills will be taken up in consultations on revising the government-sponsored bill, which the government and ruling bloc have called for. The DPJ plans to submit the four bills to the Diet in order to control the pace of consultations. Haruo Nakagawa, finance minister in the DPJ's shadow cabinet, commented: "We need to submit them to the Diet at the right time while watching the situation."

14) DPJ to submit four budget-related bills to Diet to play up ability to hold political reins

MAINICHI (Page 2) (Full)
February 8, 2008

The Democratic Party of Japan (DPJ) decided yesterday to submit four budget-related bills as its counterproposals to the government's FY2008 budget bill to the current Diet session. It will be the first time for the DPJ to present bills reflecting its views about the budget. The main opposition party is apparently aiming to play up its capability to assume the reins of government, with an eye on the next House of Representatives election.

Prime Minister Yasuo Fukuda replied in a meeting of the Lower House Budget Committee yesterday: "The opposition camp should submit its counterproposals if it wants to revise (the government's budget bill). Since the opposition camp has yet to present its counterproposal, it is improper for it to demand a revision of the

government's bill." The DPJ, though, is concerned that if talks on revising the bill start at an early date, the party could be caught in a trap set by the government and the ruling camp. The party

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leadership intends to decide on the timing for submission while carefully watching development in deliberations at the Budget Committee.

The main bill among the envisioned four is a budget function conversion bill. The bill would define as priority policies the challenges the party set forth in its policy platform for the House of Councillors election last year, such as pension system reform, and pledge to secure funds to implement such policy tasks.

A bill amending the Special Taxation Measures law would call for abolishing the current provisional gasoline and other road-related tax rates and lowering the preferential tax rates for small businesses, with the aim of reflecting its tax system reform outline released last year.

A road tax system reform bill would call for scrapping the provision tax rates and placing the tax revenues into the general account budget and then would pledge to secure fiscal resources to cover the revenue shortfalls for local governments. A bill designed to make taxation transparent would be designed to review all the special taxation measures that the DPJ claim are preferential tax reduction measures for specified industries.

Only the cabinet has the right to submit a budget bill under the Constitution. Under this situation, the DPJ so far has just publicized its views on the government's budget bills.

However, the government and the ruling parties have criticized the DPJ's policy, focusing on fiscal resources and other issues, in the ongoing debate on the road tax system. In reaction, the main opposition party decided to present its counterproposals to the government's budget bill in the form of bills, based on the assumption that it will be able to assume political power.

15) DPJ decides to submit bills on road tax system to Diet

SANKEI (Page 5) (Full)
February 8, 2008

The Democratic Party of Japan (DPJ) decided yesterday to draft a plan that would include measures to scrap the current provisional gasoline tax rate and to place the tax revenues into the general account budget. The party plans to submit it to the current Diet session.

In a joint meeting of the Road Tax System Reform Project Team and the Budget Research Committee, the DPJ confirmed that the envisioned draft would include: (1) a road tax system reform bill that would abolish the provisional gasoline tax rate and put the tax revenues into the general account, as well as to discontinue local governments' contributions to projects commissioned by the central government, like road and river projects, as a measure to secure local governments' fiscal resources; (2) a bill designed to make taxation transparent by verifying the actual state and effect of the current special taxation measures; and (3) a bill amending the Special Taxation Measures Law that would include the items the DPJ agrees on in the government's bill. The third bill would refuse extending the government's four proposals, including the provisional gasoline tax rate and the preferential capital gains tax.

In the joint meeting, the DPJ also decided to submit a budget

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function conversion bill aimed to show its policy of budgetary compilation if the party takes over the reins of government.

The DPJ will adopt these bills in a meeting of its "Next Cabinet" on Feb. 13. Regarding the timing for submission, the leadership will

make a decision in a cautious manner.

16) CO2 emissions cuts set under Kyoto Protocol: "Possible to achieve goal," notes joint report issued by Environment Ministry, METI; Additional measures to be looked into

NIKKEI (Page 5) (Full)
February 8, 2008

The joint advisory council of the Environment Ministry and the Ministry of Economy, Trade and Industry (METI) has mapped out a final report aimed at achieving the goal of cutting greenhouse gas emissions as stipulated under the Kyoto Protocol. The report notes that the goal set under the pact could be achieved if the central government, local governments, and companies steadily implement measures to reduce CO2 emissions. The report will be released by the two ministries on Feb. 8.

The specifics of the final report will be reflected in the government's program to achieve Kyoto Protocol targets, which is to be revised shortly, and adopted at a cabinet meeting in late March. The report notes that as a result of new statistics provided in the draft report released late last year, it would be possible to cut more than 37 million tons of carbon dioxide emissions if additional measures are taken, though implementing the existing measures alone would fall short of the target by 22-36 million tons.

Of the 37 million tons, 21.3 million can be reduced through voluntary cuts by industry and national campaigns, such as the "cool biz" campaign. The government will consider additional measures by March, when it will revise the program.

A Kyoto Protocol CO2 emissions cut campaign will start in April in Japan.

17) U.S. economy could recover later this year: BOJ Deputy Governor Iwata hails interest rate cut; Replacements of governor, deputy governor could bring about policy change

NIKKEI (Page 5) (Full)
February 8, 2008

Referring to the U.S. economy, Bank of Japan (BOJ) Deputy Governor Kazumasa Iwata during a press conference held in Kochi City yesterday said, "There is the possibility of the U.S. economy regaining a firm footing later in the year due to the effects of monetary and fiscal policies." He gave high scores to the quick response by the U.S. Regarding the expiration of the tenures of the BOJ governor and deputy governor on March 19, he noted, "I think the replacement of board members would bring about changes in decision-making on monetary policy."

He also indicated his perception of the present state of the U.S. economy, noting that it is markedly slowing. He said, "Economic indicators are not so good."

However, Iwata commented, "The U.S. government's fiscal policy will

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begin to shore up the economy in May through June. The U.S. has also lowered interest rates, which will begin to produce positive effects in the middle of the year."

Regarding the BOJ's monetary policy, he said, "The BOJ adopts a method of gradually forming a consensus, respecting the views of nine Policy Board members, including the governor and the deputy governors." Then, referring to the selection of a new governor and a new deputy governor, Iwata said, "There could be changes if one-third of the Policy Board members are replaced." He then said, "It depends on who will be assigned."

Stabilization of financial markets will take center-stage at the meeting of finance ministers and central bank governors from the Group of Seven (G-7) in Tokyo on Feb. 9. Commenting on this, Iwata said, "It may be a correct prescription that each country adopts the most appropriate measure, depending on the situation."

18) Japan to sound out South Korea on early resumption of EPA talks, eyeing expanded coverage, including technical cooperation

NIKKEI (Page 5) (Full)
February 8, 2008

Nikkei has learned that Tokyo has secretly sounded out Seoul on an early resumption of now-suspended talks on an economic partnership agreement (EPA). The government is considering expanding the coverage of cooperation and talks to include not only the scrapping of tariffs on agricultural and manufactured products but also the international standardization of manufactured goods and environment issues. It wants to resume talks South Korea, using president-elect Lee Myung Bak's assumption of office on Feb. 25 as the occasion.

The government wants to resume talks after South Korea's general election in April. It hopes to obtain the ROK's agreement to restart at an early date. It also plans to expand the coverage of the accord to go beyond such conventional items as the scrapping of tariffs and the acceptance of workers. It is now considering which areas would be subject to such expanded cooperation. Industrial technology, energy-conserving technology, assistance to franchise chains in the services sector, a qualification system and the nurturing of small and medium-sized businesses are all up for consideration.

Japan and South Korea started working-level talks in Dec. 2003. The two governments have so far held six rounds of talks. However, talks bogged down in Nov. 2004 over a disagreement on the scrapping of tariffs on agricultural, forestry and fishery products. President-elect Lee during a press conference in January said that South Korea should look into the possibility of signing an EPA with Japan and China in stages. He thus indicated enthusiasm for resuming the EPA talks.

DONOVAN